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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001632

SIPDIS

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TAGS: [EFIN](#) [PTER](#) [KTFN](#) [KCRM](#) [PGOV](#) [SNAR](#) [IZ](#)
SUBJECT: CENTRAL BANK OF IRAQ - MONEY LAUNDERING REPORTING
OFFICE

REF: BAGHDAD 565

Classified By: Acting Economic Counselor Ruth Hall for reasons 1.4(b),(d), (e) and (g).

¶1. (SBU) Summary: Emboffs recently met the Director and Legal Consultant of the Money Laundering Reporting Office (MLRO), the Financial Intelligence Unit (FIU) of Iraq, which is part of the Central Bank of Iraq (CBI). MLRO leadership and emboffs discussed the recent Middle East and North Africa Financial Action Task Force (MENA-FATF) Plenary Meeting, the relationship between the MLRO and the private sector, MLRO training requirements, the new Anti-Money Laundering Law, Iraqi procedures for freezing assets, the MLRO's relationship with other ministries, and the upcoming Financial Sector Assessment Team (FSAT) visit. End Summary.

Money Laundering Reporting
Office Leadership

¶2. (SBU) Emboffs from the Treasury Attach's Office met with MLRO Director Sahib Badr Abood and MLRO Legal Consultant Ena'am Yaseen Mohammad on June 8. Abood has been Director of the MLRO since its establishment in 2007. He is a long-term CBI staff member who has worked on letters of credit, wire transfers, and other payment methods; in the contracting department; and on the external debts of Iraq. Ena'am has worked for over 25 years with CBI. She was previously head of the legal department and the head judge of the Central Bank Court, and was called to serve as Legal Consultant to oversee the work of the MLRO because of her legal expertise.

MENA-FATF Plenary Meeting

¶3. (SBU) In May 2009, Director Abood and Legal Consultant Ena'am attended the Ninth MENA-FATF Plenary Meeting in Manama, Bahrain. Iraq had not participated since the Sixth MENA-FATF Plenary in November 2007. Ena'am cited the mutual evaluation reports of Jordan and Egypt as especially useful sources of lessons on AML/CFT compliance. She suggested that member countries should send representatives to participate in mutual evaluations for training purposes. She also strongly supported the decision to open a MENA-FATF fund for supporting member country participation in training programs, and suggested funding it over time with a percentage of regulatory fees collected by member countries rather than with an initial lump sum.

Government-Private Sector
Relationship

¶4. (SBU) Ena'am said the MLRO recognized that a relationship between the government and the private sector will be necessary to comply with international AML-CFT standards. She acknowledged that the "FATF 40 plus 9 Recommendations" require governments to have laws in place that involve the

private sector, and stated that each bank should have an AML office as a link to the MLRO. She also believed that training programs for the private sector are necessary.

Training Programs

¶5. (SBU) Ena'am pointed out several considerations that the MLRO considers important for future AML-CFT training programs. Sending Iraqi participants with the right experience would be crucial. Past Iraqi delegations had sent some individuals who lacked relevant experience and as a result the training was unproductive. The MLRO is trying to avoid these situations in the future. However, she said, future training programs needed to be better focused as well, with instructors carefully chosen from the appropriate fields.

¶6. (SBU) The GOI intends to send three participants to the MENA-FATF Assessors Training Workshop in Manama at the end of June and was trying to find experienced individuals to nominate, Ena'am said. One nominee is Ms. Fawzia Kadhim Ali, Deputy Director of the MLRO, who has been approved. A second would be from the CBI branch in Mosul. The third would be the head of the Financial Crimes Department of the Ministry of Interior (MOI). Ena'am said that CBI Governor Shabibi had sent a letter to the Interior Minister requesting that he permit this official to attend. She requested our assistance in supporting this nominee with the MOI. Embassy advisors to the MOI will take the matter up with the Minister's Chief of Staff.

New Anti-Money Laundering Law

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¶7. (SBU) Ena'am stated that the new Anti-Money Laundering (AML) Law has been drafted and sent to the Shura Council for review. It specifies predicate crimes for the crime of money laundering, unlike the previous AML Law. However, she predicted that it will require a long time to get through the Shura Council.

Freezing Assets

¶8. (SBU) Ena'am described two ways that the freezing of assets can occur. One is the "holding" of assets under a judicial order from the Ministry of Justice (MOJ). The other is a "collection of government debts" by the CBI. The latter can be used to hold assets when government assets are involved, and it proceeds as follows. The head of MLRO informs the CBI of the need to investigate a case, and upon completion of the investigation (which requires approximately a week), the MLRO provides a memorandum to the CBI Governor. If necessary, the CBI then contacts the Financial Crime Department of the MOI which will investigate the crime, and also the MOJ to request a judicial order to hold the assets.

Relationship with Other Ministries

¶9. (C) The CBI has the authority to investigate financial crimes, but the MOI does not always inform the CBI when it investigates crimes with a financial crime element. As a result, the CBI is attempting to integrate itself more into the law enforcement process. It has requested participation in the National Committee, which is included within the new draft AML law at MENA-FATF's request. The committee will meet once a month to discuss cases to be transferred to the courts. The CBI also seeks greater authority, including the ability to issue arrest warrants.

¶10. (C) Ena'am provided an example of how the CBI can use its

authority to investigate financial crimes to address criminal cases even when the MOI does not prosecute them. In one case, the CBI discovered payroll embezzlement by an employee, but the MOI issued a decision that the employee was not guilty and the employee demanded reinstatement. The CBI then required that the employee return the embezzled funds and obtained an order to hold the assets until they were returned. This action was possible because the embezzled funds were deemed "government debts."

¶11. (C) Ena'am also provided an example of how the CBI educates other government institutions that are not well informed about Iraq's AML Law. She once received a 2 a.m. call from a judge in Rutba after customs police found a man at the Jordanian border with \$3 million hidden in his car who claimed to transport the money legally. The judge, not knowing the applicable law, contacted the MLRO. Ena'am informed the judge that amounts up to \$10,000 were legal to transport, but larger amounts had to be declared. Therefore, crossing the border with the money concealed was illegal and required investigation.

Financial Sector
Assessment Team

¶12. (SBU) Asked about making arrangements with the MLRO for the upcoming Financial Sector Assessment Team (FSAT) in July, Ena'am stated that Treasury should contact the CBI Governor about arranging and organizing the FSAT visit.

Comment

¶13. (C) The MLRO's higher leadership is experienced long-term CBI staff members who appear well-informed about AML-CFT issues and determined to improve the capacity and powers of the office. They appear to be aware of the current limitations of the MLRO and are eager to improve the knowledge level of its personnel through training programs. Qknowledge level of its personnel through training programs. (This discussion did not focus on the MLRO's limitations, aside from the lack of experienced personnel, but reftel provides details). However, MLRO leadership acted strongly deferential to the CBI, as shown by its reaction to the questions about making arrangements for the FSAT visit. These issues should be taken into account in future cooperation with the MLRO.
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